

# Annual Financial Statements 2018



**CENTRAL  
SECURITIES  
DEPOSITORY**

**CeKB**   
**CSD GmbH**



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# Management report

## Business environment in 2018

For OeKB CSD GmbH (OeKB CSD) a key milestone in 2018 was the licence as a CSD and the licence for the provision of banking-type ancillary services according to Regulation (EU) No. 909/2014 (CSDR). The "Digital Transfer of Global Certificates" project was also brought to a successful conclusion. The "MegaCor Phase 2" project was continued, and the preliminary project for "3 Issuer CSD (IIK/NLM)" was kicked off. Another focus was the evaluation of the use of new technologies and the associated regulatory frameworks, especially blockchain and distributed ledger technology.

### Authorisation according to the Central Securities Depository Regulation (CSDR)

Following the applications filed with the Financial Market Authority (FMA) in September 2017, OeKB CSD was granted the licence as a CSD and the licence for the provision of banking-type ancillary services according to the CSDR Regulation (Regulation (EU) No. 909/2014). This confirms compliance with the comprehensive regulatory requirements governing the organisation of CSDs in the EU and is a prerequisite for OeKB CSD to continue providing its core services to the Austrian capital market.

### Projects

The business application "Digital Transfer of Global Certificates" (DTG) went into production as planned in the middle of July. With DTG, OeKB CSD provides issuers an electronic interface. This interface allows the delivery of digital securities certificates to OeKB CSD, thus eliminating the need for the delivery of physical certificates.

Iteration 1 of the "MegaCor Phase 2" project went online in the third quarter. Iterations 2 and 3 are planned for 2019. The aim of the "MegaCor Phase 2" project is to replace the existing IT systems for corporate actions by expanding the existing application MegaCor, as well as to facilitate the more efficient, secure, and customer-friendly settlement of corporate actions.

As planned, a request for information (RFI) was sent to selected software providers and detailed workshops were held with two potential providers as part of the "Preliminary analysis for project 3 issuer CSD". The aim of the project is the retirement of the existing business application for vault management and the income collection for securities due including the extension of the scope of services provided to issuers and payment offices.

## Business development in 2018

Business development for OeKB CSD surpassed the expectations in 2018. Because of the high custody volume, which did not contract until the fourth quarter, and the growth in the number of processed transactions, net fee and commission income came to Euro 19,976,343.26, a 2.7 % improvement over 2017 (Euro 19,448 thousand).

### Safekeeping and administration

		31.12.2017	31.03.2018	30.06.2018	30.09.2018	31.12.2018	
Securities with Nominal Value in Euro million	Issuer CSD	312,985	308,613	312,099	314,825	312,390	
	Investor CSD	15,508	13,866	14,141	13,718	14,032	
Unit-listed securities	Market Value in Euro million	Issuer CSD	282,231	281,241	294,518	298,839	263,565
		Investor CSD	3,275	2,622	2,185	2,120	1,827
	Units in million	Issuer CSD	8,908	8,743	7,856	7,895	7,801
		Investor CSD	420	402	394	397	398
Number of Securities Categories	Issuer CSD	14,510	14,372	14,078	14,763	14,285	
	Investor CSD	1,414	1,486	1,391	1,364	1,383	

The volume of securities with a nominal value kept and administered as Issuer CSD remained largely stable compared with the start of the year at Euro 312,390 million. By contrast, the market value of the unit-listed securities fell by 6.6 % to Euro 263,565 million, primarily due to the negative price trend on the exchanges in the fourth quarter of 2018. The number of securities categories kept and administered as Issuer CSD came to 14,285 at the end of the year, just 1.6 % below the level for 2017.

For the securities kept and administered by OeKB CSD with a custodian as an Investor CSD, the securities with a nominal value declined by 9.5 % to Euro 14,032 million, and the unit-listed securities contracted by 44.2 % to a market value of Euro 1,827 million. The number of securities categories kept with a custodian also fell by 2.2 % to 1,383 categories. The decline in unit-listed securities can be attributed to the negative price trend and the delivery of positions in an equity asset that was originally kept and administered by OeKB CSD but that was merged with a foreign corporation in 2017.

## Settlement

		ØM 2017	ØM 2018	ØM 01-03/ 2018	ØM 04-06/ 2018	ØM 07-09/ 2018	ØM 10-12/ 2018	Σ 01-12/ 2018
Number of Transactions	Intra	101,839	106,759	111,427	102,531	99,506	113,572	1,281,106
	Cross/External	1,177	2,978	2,774	2,710	3,228	3,199	35,734
Settled Volume Nominal Value in Euro million	Intra	55,693	54,580	55,574	50,270	46,961	65,513	654,956
	Cross/External	2,763	272	414	237	169	268	3,263
Settled Volume Units in Euro million	Intra	955	675	847	767	482	605	8,100
	Cross/External	11	8	8	11	6	5	91

OeKB CSD processed nearly 1.3 million Intra transactions in 2018, 4.8 % more than in 2017. This equated to a settled volume of Euro 654.96 billion for securities with a nominal value, a 2 % decrease over 2017, and a 29.3 % year-on-year decrease in the volume of unit-listed securities to 8.10 billion units.

The number of Cross and External transactions rose by 153 % in annual comparison to just under 36,000 transactions. Nevertheless, the settled volume of securities with a nominal value fell by 90.2 % compared with 2017 to Euro 3.26 billion, though the reference figure from 2017 was unusually high due to a one-off effect. A decline of 27.3 % to 91 million units was recorded for the unit-listed securities.

## Income statement

**Net interest income** came to minus Euro 80,368,79 in 2018 (2017: minus Euro 116 thousand), primarily as a result of the negative interest applied to deposits at Oesterreichische Nationalbank.

**Net fee and commission income** came to Euro 19,976,343.26 in 2018, a year-on-year increase of 2.7 % (2017: Euro 19,448 thousand). This growth was driven primarily by the high custody volume of securities kept and administered by OeKB CSD as Issuer CSD through to the end of October, which made a substantial contribution to the 3.3 % increase in income from custodian fees to Euro 15,418,830.65 (2017: Euro 14,932 thousand). The income from transaction fees also grew by 6.4 % to Euro 4,692,291.70 (2017: Euro 4,409 thousand) as a result of the 4.8 % increase in the number of Intra transactions.

The **net income from financial operations** came to minus Euro 949.66 (2017: minus Euro 3 thousand) and was the result of foreign exchange differences.

**Operating income** amounted to Euro 20,608,235.95 (2017: Euro 19,581 thousand).

The 6.2 % decreased in **general administrative expenses** to Euro 12,761,699.87 (2017: Euro 13,605 thousand). This was primarily the lower expenditures for IT projects compared with 2017, as considerable expenses were incurred in the startup of the T2S IT platform in that year. The other administrative expenses came to Euro 8,186,567.33 in 2018 (2017: Euro 9,285 thousand). The general administrative expenses also include the staff costs charged by OeKB AG in the amount of Euro 4,575,132.54 (2017: Euro 4,320 thousand). All staff are employees of OeKB AG and are delegated to OeKB CSD.

**Operating expenses** came to Euro 13,110,072.89 (2017: Euro 13,808 thousand).

The **operating profit** (profit before tax) totalled Euro 7,498,163.06 (2017: Euro 5,773 thousand). After income tax, the **profit for the year** amounted to Euro 5,622,678.42 (2017: Euro 4,328 thousand).

A total of Euro 740,000.00 was allocated to the retained earnings in 2018 (2017: Euro 849 thousand). The **profit available for distribution** was reported at Euro 4,607,234.23 (2017: Euro 3,267 thousand). Statutory reserves in the amount of Euro 282,000.00 (2017: Euro 217 thousand) were allocated in the financial year.

## Balance sheet

The **assets** of OeKB CSD as at 31 December 2018 stemmed primarily from balances at central banks in the amount of Euro 17,369,595.75 (2017: Euro 23,552 thousand), receivables from banks in the amount of Euro 10,555,910.63 (2017: Euro 4,399 thousand), and other assets in the amount of Euro 2,305,979.78 (2017: Euro 2,760 thousand). The receivables from banks consist primarily of credit balances of OeKB CSD at OeKB AG. The remainder consists of foreign currency balances for redeemed claims (coupons, redemptions, dividends) that have not yet been paid out. The other assets consist largely of receivables from customers relating to custodian fees and transaction fees for the month of December and claims against the tax office for value added tax.

The reported **liabilities** consist primarily of payables to banks in the amount of Euro 1,692,645.39 (2017: Euro 3,856 thousand), especially relating to redeemed claims that have not yet been paid out (coupons, redemptions, dividends), of other liabilities in the amount of Euro 909,163.29 (2017: Euro 1,141 thousand), and of the equity of OeKB CSD in the amount of Euro 27,865,203.03 (2017: Euro 25,503 thousand).

The **total assets** at 31 December 2018 amounted to Euro 30,734,190.20 (2017: Euro 31,399 thousand).

## Financial performance indicators

The cost/income ratio (operating expenses/operating income) was 63.6 % at the reporting date (2017: 70.5 %).

The available regulatory capital pursuant to the Capital Requirements Regulation (CRR) came to Euro 22,047,678.23 in 2018 (2017: Euro 20,854 thousand). Allocations to reserves are generally not recognised as regulatory capital until the adoption of the annual financial statements. An allocation in the amount of Euro 740,000.00 (2017: Euro 849 thousand) was made to the retained earnings and an allocation of Euro 282,000.00 (2017: Euro 217 thousand) to the statutory reserves during the financial year.

The tier 1 capital totalled Euro 22,047,678.23 at the end of 2018 (2017: Euro 20,854 thousand). OeKB CSD is exempt from parts 3, 5, 6, and 7 of Regulation (EU) No. 575/2013 pursuant to Article 3 (1) 12 BWG (central depository) and therefore calculates no regulatory capital requirements. Because of this, the total risk-weighted assets pursuant to the CRR are zero.

The return on equity (profit for the year after tax/average equity) was 21.1 % in 2018 (2017: 17.3 %).

The equity ratio (equity/total capital) was 90.7 % in 2018 (2017: 81.2 %).



## Research and development

No research and development is conducted due to the nature of OeKB CSD's business activities.

# Non-financial performance indicators

## Staff

OeKB CSD has a staff of 36 (2017: 34) employees who have been delegated by OeKB AG. The delegated employees are subject to the collective bargaining agreement for the banking industry.

Regulation (EU) No. 909/2014, which is intended to improve securities deliveries and settlement in the European Union and through central depositories, specifies in Article 26 (1) that a central depository must have a dedicated remuneration policy. Even though all employees are employed by OeKB AG and delegated to OeKB CSD, the remuneration policy of OeKB CSD applies to them.

The remuneration policy specifies that the variable pay components depend both on individual performance as well as various performance indicators of the company. In general, importance is placed on a balanced combination of fixed and variable pay components.

Internal and external training is offered and funded to enhance the capabilities of the individual employees. There are also annual performance reviews in which the preceding year is analysed, constructive feedback is given, and goals for the new year are agreed.

Employees of OeKB CSD are entitled to discounts at the OeKB AG employee cafeteria. Further employee benefits consist of the services of the company physician including the immunisation campaigns and health week, a company daycare centre, and the use of the sport centre.

OeKB AG offers all of its employees, including those assigned to other institutions, flexible working hours. There are no benefits that are available only to full-time employees.

## Environmental issues

Operational ecology figures for the Strauchgasse site are carefully complied with and monitored (EMAS, GRI) as part of the sustainability management programme of OeKB Group. These can be found in the 2018 sustainability report of OeKB Group.

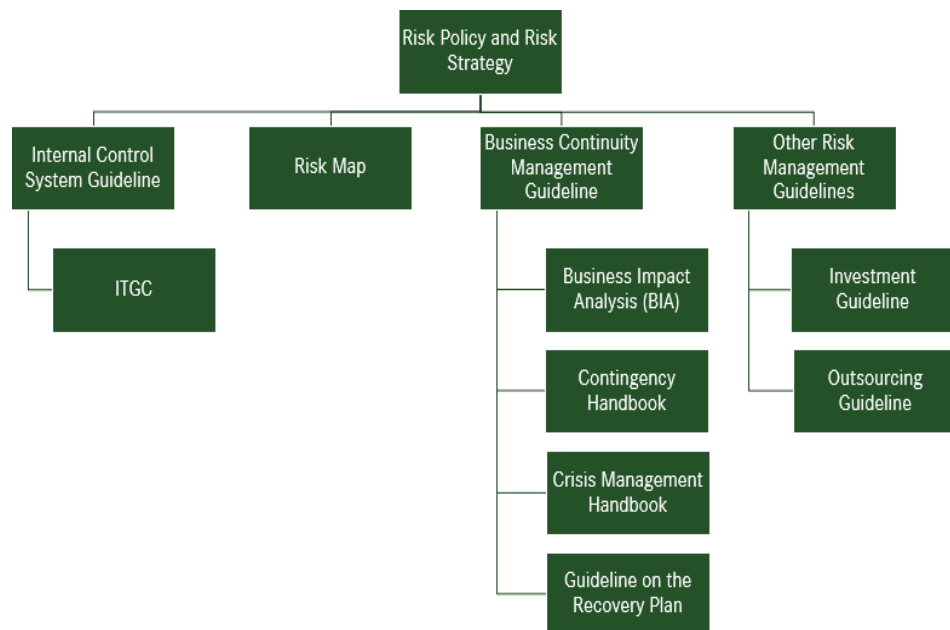
## Branches

As in the previous year, OeKB CSD had no branches during the reporting period.

# OeKB CSD risk management system (RMS)

## Overview of the RMS

The RMS consists of the documents shown below, which define and govern the risk management process at OeKB CSD:



The risk policy and risk policy principles of OeKB CSD are intended to ensure a stable return on equity over the long term.

## Summary risk analysis results in 2018

A total of 35 risks were evaluated and documented in a risk map in 2018. The material risks are the following three inherent and strategic risks:

- the medium- to long-term business and business model risk,
- the systemic risk inherent to OeKB CSD because of its position on the capital market,
- the strategic IT risk,

as well as the operational risks (including IT risks).

The evaluated risks are mitigated through a comprehensive set of measures (including insurance). In addition, all damages to be reimbursed to customers in a single calendar year arising from slight negligence or failure to act on the part of OeKB CSD employees and agents are limited to a maximum of Euro 5 million per year according to the general terms and conditions of OeKB CSD.

Because of limitations in its business model, OeKB CSD has no or only very low traditional banking risks such as market, credit, and liquidity risk.

Operational risks remained stable in 2018 and pertained almost entirely to indirect damage incidents (with only internal expenses), stemming mostly from IT incidents. The total of direct damages fell to Euro 1,000, with only Euro 500 of this having an external effect.

	2017	2018
Number of damage incidents	Total: 34	Total: 25
- Near losses	2	1
- Indirect damages	29	23
- Direct damages	3	1
Expenses for damage incidents	Total: Euro 32,170	Total: Euro 17,800
- Near losses	Euro 400	Euro 500
- Indirect damages	Euro 29,070	Euro 16,300
- Direct damages	Euro 2,700	Euro 1,000

### *Risk for the purposes of managing the bank group*

Pursuant to Article 39a (4) BWG, OeKB CSD is exempt from Article 39a (1) and (2) BWG because OeKB AG as its parent bank meets these requirements on the basis of the consolidated financial situation. OeKB CSD does not perform a separate ICAAP but is integrated into the group ICAAP of OeKB Group.

In order to enable part of the equity to be invested in floater government bonds, the following risk budgets were decided for OeKB CSD by the Risk Management Committee of OeKB AG effective 1 January 2018:

Risk budget for credit risk:	Euro 0.5 million
<u>Risk budget for market risk:</u>	<u>Euro 0.3 million</u>
Total:	Euro 0.8 million

All of the risk indicators calculated in the group ICAAP for OeKB CSD as at 31 December 2018 came to zero.

## Risk-bearing capacity

OeKB CSD is exempt from parts 3, 5, 6, and 7 of Regulation (EU) No. 575/2013 pursuant to Article 3 (1) 12 BWG and is subject to the minimum regulatory capital requirements of the CSDR and Delegated Regulation (EU) 2017/390: Title I: Art. 1–7. The minimum regulatory capital requirement calculated on this basis came to Euro 16.5 million as at 31 December 2018.

The available regulatory capital of OeKB CSD amounted to Euro 22.0 million as at 31 December 2018, and thus exceeded the threshold of Euro 20.6 million for the restructuring indicator "common equity tier 1 capital" for triggering the early warning level in the restructuring plan (see below).

The following table shows the restructuring indicators and early warning levels defined in the Directive for the restructuring plan of OeKB CSD along with the current values in the form of the figures from the financial statements as at 31 December 2018.

<b>Restructuring indicator</b>	<b>Minimum regulatory capital according to CSDR and Delegated Regulation</b>	<b>Threshold/early warning level</b>	<b>Available regulatory capital according to the CRR</b>
Common equity tier 1 (CET1)	Euro 16.5 million (CSDR)	Euro 20.6 million	Euro 22.0 million
Return on equity (RoE)	2.5 %	7.5 %	21.1 %

## Preview for 2019

The start of the "3 Issuer CSD" project is scheduled for the first half of 2019. The "MegaCor Phase 2" project will be continued in 2019 and is expected to be finished in the fourth quarter of 2019. The adaptations necessary for fulfilling the settlement discipline requirements in the CSDR are also to be analysed and must be implemented in 2020.

We wholeheartedly thank all our employees for their commitment and their contribution to our success.

Vienna, 14 February 2019

OeKB CSD GmbH

Managing Directors

PETER FELSINGER m.p.

GEORG ZINNER m.p.

# Annual Financial Statements 2018

## Balance sheet as at 31.12.2018

Balance sheet as at		31.12.2018	31.12.2017
<b>ASSETS</b>		Euro	Euro thousand
<b>01</b>	<b>Cash and balances at central banks</b>	17,369,595.76	23,552
<b>02</b>	<b>Receivables from banks</b>	10,555,910.63	4,399
	Repayable on demand	10,555,910.63	4,399
<b>03</b>	<b>Equity investments</b>	70.00	0
<b>04</b>	<b>Non-current intangible assets</b>	470,290.57	533
<b>05</b>	<b>Property and equipment</b>	2,543.26	4
<b>06</b>	<b>Other assets</b>	2,305,979.78	2,760
<b>07</b>	<b>Prepayments and accrued income</b>	29,800.20	30
<b>08</b>	<b>Deferred tax assets</b>	-	121
	<b>Total assets</b>	<b>30,734,190.20</b>	<b>31,399</b>
<b>Memo items</b>		31.12.2018	31.12.2017
<b>Assets</b>		Euro	Euro thousand
1	Foreign assets	894,581.10	939

<b>Balance sheet as at</b>		31.12.2018	31.12.2017
<b>LIABILITIES AND EQUITY</b>		Euro	Euro thousand
<b>01</b>	<b>Payables to banks</b>	<b>1,692,645.39</b>	<b>3,856</b>
	Repayable on demand	1,692,645.39	3,856
<b>02</b>	<b>Payables to customers</b>	<b>109,431.74</b>	<b>14</b>
	<i>Of which:</i>		
	Repayable on demand	109,431.74	14
<b>03</b>	<b>Other liabilities</b>	<b>909,163.29</b>	<b>1,141</b>
<b>04</b>	<b>Provisions</b>	<b>157,746.75</b>	<b>885</b>
	c) Tax provisions	124,953.00	287
	b) Other	32,793.75	599
<b>05</b>	<b>Subscribed share capital</b>	<b>20,000,000.00</b>	<b>20,000</b>
<b>06</b>	<b>Unallocated capital reserves</b>	<b>773,968.80</b>	<b>774</b>
<b>07</b>	<b>Retained earnings</b>	<b>2,484,000.00</b>	<b>1,462</b>
	a) Statutory reserve	674,000.00	392
	b) Other reserves	1,810,000.00	1,070
<b>08</b>	<b>Profit available for distribution</b>	<b>4,607,234.23</b>	<b>3,267</b>
	<b>Total liabilities and equity</b>	<b>30,734,190.20</b>	<b>31,399</b>

<b>Memo items</b>		31.12.2018	31.12.2017
<b>Liabilities and equity</b>		Euro	Euro thousand
1	Available regulatory capital pursuant to Part 2 of Regulation (EU) No. 575/2013	22,047,678.23	20,854
2	Minimum regulatory capital requirement pursuant to Article 92 of Regulation (EU) No. 575/2013*	0.00	-
	Minimum regulatory capital requirement pursuant to Article 92 (1) lit. a of Regulation (EU) No. 575/2013 (core tier 1 ratio in %)	0.00%	0.00%
	Minimum regulatory capital requirement pursuant to Article 92 (1) lit. b of Regulation (EU) No. 575/2013 (tier 1 ratio in %)	0.00%	0.00%
	Minimum regulatory capital requirement pursuant to Article 92 (1) lit. c of Regulation (EU) No. 575/2013 (total capital ratio in %)	0.00%	0.00%
3	Foreign liabilities	1,191,702.37	762

\* OeKB CSD GmbH is exempt from parts 3, 5, 6, and 7 of Regulation (EU) No. 575/2013 pursuant to § 3 (1) 12 BWG (central depository).

## Income statement for the financial year 2018

Income statement for the financial year		2018		2017
		Euro	Euro thousand	Euro thousand
01.	Interest and similar income	1.01	-80,237.63	0
	Less negative interest from balances at central banks	-80,238.64		-116
02.	- Interest and similar expenses		131.16	0
<b>I.</b>	<b>Net interest income</b>		<b>-80,368.79</b>	<b>-116</b>
03.	+ Fee and commission income		21,664,280.76	20,929
04.	- Fee and commission expenses		1,687,937.50	1,480
05.	+/- Income/expenses from financial operations		-949.66	-3
06.	+ Other operating income		713,211.14	252
<b>II.</b>	<b>Operating income</b>		<b>20,608,235.95</b>	<b>19,581</b>
07.	- Administrative expenses		12,761,699.87	13,605
	a) Staff costs passed on	4,575,132.54		4,320
	b) Other administrative expenses	8,186,567.33		9,285
08.	- Impairment losses on asset items 4 and 5		205,765.32	188
09.	- Other operating expenses		142,607.70	16
<b>III.</b>	<b>Operating expenses</b>		<b>-13,110,072.89</b>	<b>-13,808</b>
<b>IV.</b>	<b>Operating profit</b>		<b>7,498,163.06</b>	<b>5,773</b>
<b>V.</b>	<b>Profit before tax</b>		<b>7,498,163.06</b>	<b>5,773</b>
10.	- Income tax		1,875,484.64	1,445
<b>VI.</b>	<b>Profit for the year</b>		<b>5,622,678.42</b>	<b>4,328</b>
11.	- Transfer to reserves		1,022,000.00	1,066
<b>VII.</b>	<b>Unallocated profit for the year</b>		<b>4,600,678.42</b>	<b>3,262</b>
12.	+ Profit brought forward from the previous year		6,555.81	4
<b>VIII.</b>	<b>Profit available for distribution</b>		<b>4,607,234.23</b>	<b>3,267</b>

# Notes to the annual financial statements

## General disclosures

### Legal basis

OeKB CSD GmbH (OeKB CSD) is a limited liability company domiciled in the first district of Vienna, Austria.

OeKB CSD is a central securities depository (CSD) according to the CSD Regulation (Regulation [EU] No. 909/2014).

In a decision dated 1 August 2018, the FMA authorised OeKB CSD as a central depository according to Article 17 of Regulation (EU) No. 909/2014 and granted the licence for the provision of banking-type ancillary services according to Article 54 of Regulation (EU) No. 909/2014 and to "provide cash accounts for participants in a securities delivery and settlement system and holders of securities accounts and to accept deposits from these parties in the sense of Annex I Number 1 of Directive 2013/36/EU" according to section C lit. a) of the Annex to Regulation (EU) No. 909/2014 (CSDR) in conjunction with Article 1 (1) BWG.

The securities delivery and settlement system operated by OeKB CSD is recognised under the Settlement Finality Act.

### The activities of OeKB CSD

The activities of OeKB CSD cover the following central services for the capital market:

- Acceptance of securities for safekeeping and administration;
- Process of instructions from investors for the settlement of their securities transactions;
- Coordinating of the payments from the issuers to investors to settle their claims to issuers as evidenced by the securities.

The aim and task of OeKB CSD are the long-term fulfilment of its responsibilities as the CSD on the Austrian capital market while generating an appropriately stable profit.



## Recognition and measurement methods

The annual financial statements as at 31 December 2018 were prepared by the management according to the provisions of the Austrian Uniform Commercial Code (UGB) and the Austrian Banking Act (BWG), each as amended.

The annual financial statements were prepared in accordance with generally accepted accounting principles to provide a true and fair view of the assets and financial and earnings position of the company. The principle of completeness was adhered to in the preparation of the annual financial statements.

Asset values were measured on the basis of being a going concern. Assets and liabilities were measured on an individual basis.

Caution was exercised by only including profits that were realised as at the balance sheet date. All identifiable risks and impending losses that arose up to the reporting date were taken into consideration.

The closed financial year corresponds to the calendar year.

## Receivables and other assets

Receivables from banks and other assets are recognised at their nominal values. Impairment losses are recognised for identified risks.

## Non-current intangible assets

Intangible assets are recognised on the balance sheet when they have been purchased. They are recognised at cost less scheduled depreciation and impairment charges. Internally produced intangible assets and low-value assets (individual acquisition cost below Euro 400) are immediately recognised as expenses.

Scheduled depreciation is applied on a straight-line basis assuming a useful life of 3 to 5 years.

Impairment charges are applied to bring the asset in question to its lower fair value when the reasons for the impairment are expected to be other than temporary.

## Property and equipment

Scheduled depreciation is applied on a straight-line basis. The following useful life is assumed:

### Useful life

	Years
Fixtures, fittings, and equipment	3 to 10
Computer hardware	3 to 5
Software	3 to 5

## Equity investments

Equity investments are recognised at cost less any write-downs made to recognise material impairment that is other than temporary in nature.

## Liabilities

Liabilities are recognised at their settlement amount.

## Provisions

Following the principle of prudence, the other provisions take into account all identifiable risks and uncertain liabilities in terms of amount or origin that exist on the reporting date in the amounts deemed necessary.

As the company has no direct employees, no employee benefit provisions are formed. These provisions are formed by the company assigning the personnel (OeKB AG) and allocated to OeKB CSD in the amount of the expenses or income incurred in the year for the duration of the assignment.

## Foreign currency translation

The reporting currency is Euro. Foreign currency items are measured using the ECB reference rate.

## Notes to the balance sheet

### Receivables

#### Receivables from banks

	31.12.2018	31.12.2017
	Euro	Euro thousand
Receivables payable on demand		
In Euro	8,896,176.48	687
In foreign currencies	1,659,734.15	3,713
<b>Total</b>	<b>10,555,910.63</b>	<b>4,399</b>

### Non-current intangible assets, property and equipment, and equity investments

The changes in the individual non-current asset items and a breakdown of the depreciation and amortisation in the financial year by asset item are presented below.

#### Non-current assets in 2018 - Cost

Euro	01.01.2018	Acquisition costs			31.12.2018
		Additions	Transfers	Disposals	
Software	927,013.20	0.00	184,902.84	0.00	1,111,916.04
Assets under construction	164,805.84	142,028.37	-184,902.84	0.00	121,931.37
<b>Non-current intangible assets</b>	1,091,819.04	142,028.37	0.00	0.00	1,233,847.41
Fixtures, fittings, and equipment	5,085.98	0.00	0.00	0.00	5,085.98
<b>Property and equipment</b>	5,085.98	0.00	0.00	0.00	5,085.98
<b>Equity investments</b>	70.00	0.00	0.00	0.00	70.00
<b>Total</b>	1,096,975.02	142,028.37	0.00	0.00	1,239,003.39

#### Non-current assets in 2018 - Accumulated depreciation and amortisation

Euro	01.01.2018	Accumulated depreciation		31.12.2018	Amorisation	
		Additions	Disposals		31.12.2017	31.12.2018
Software	558,799.92	204,756.92	0.00	763,556.84	368,213.28	348,359.20
Assets under construction	0.00	0.00	0.00	0.00	164,805.84	121,931.37
<b>Non-current intangible assets</b>	558,799.92	204,756.92	0.00	763,556.84	533,019.12	470,290.57
Fixtures, fittings, and equipment	1,534.32	1,008.40	0.00	2,542.72	3,551.66	2,543.26
<b>Property and equipment</b>	1,534.32	1,008.40	0.00	2,542.72	3,551.66	2,543.26
<b>Equity investments</b>	0.00	0.00	0.00	0.00	70.00	70.00
<b>Total</b>	560,334.24	205,765.32	0.00	766,099.56	536,640.78	472,903.83

## Deferred taxes

The deferred tax assets (Euro 121 thousand) formed last year were released. There were no new differences between values for tax purposes and under commercial law.

## Other assets

	31.12.2018	31.12.2017
	Euro	Euro thousand
Other domestic receivables	1,240,310.68	1,306
Other foreign receivables	731,409.18	741
Receivables from tax authorities	334,251.65	712
Others	8.27	-
<b>Total</b>	<b>2,305,979.78</b>	<b>2,760</b>

The item "other assets" consists largely of receivables from customers relating to custodian fees and transaction fees for the month of December and claims against the tax office for value added tax. All other assets are not payable until the next year and have a remaining maturity of less than one year, as was the case in the previous year.

## Liabilities

### Payables to banks

	31.12.2018	31.12.2017
	Euro	Euro thousand
Liabilities payable on demand		
In Euro	165,113.95	189
In foreign currencies	1,527,531.44	3,668
<b>Total</b>	<b>1,692,645.39</b>	<b>3,856</b>

### Payables to customers

	31.12.2018	31.12.2017
	Euro	Euro thousand
Liabilities payable on demand		
In Euro	8,694.27	10
In foreign currencies	100,737.47	3
<b>Total</b>	<b>109,431.74</b>	<b>14</b>

### Other liabilities

	31.12.2018	31.12.2017
	Euro	Euro thousand
Other domestic liabilities	804,212.09	1,035
Other foreign liabilities	104,873.86	106
Others	77.34	0
<b>Total</b>	<b>909,163.29</b>	<b>1,141</b>

The item "other domestic liabilities" consists primarily of liabilities from the service agreement with OeKB AG (payables to banks) that are not payable until the next year (Euro 754,251.62; 2017: Euro 838 thousand). As in the previous year, all other liabilities have a remaining maturity of up to three months.

## Provisions

### Other provisions

	31.12.2018	31.12.2017
	Euro	Euro thousand
Legal consulting, tax consulting, and audit of annual financial statements	15,000.00	13
Custodian fees and other fees	11,111.25	550
Other administrative expenses	6,682.50	35
<b>Other provisions</b>	<b>32,793.75</b>	<b>599</b>

The provision formed last year due to possible clawbacks by a customer (Euro 485 thousand) was released in the second quarter as no further claims were asserted.

## Equity

The share capital of OeKB CSD totals Euro 20,000,000.00.

The profit for the year came to Euro 5,622,678.42 (2017: Euro 4,328 thousand). Of this, Euro 282,000.00 (2017: Euro 217 thousand) were allocated to the statutory reserve and Euro 740,000.00 (2017: Euro 849 thousand) to the retained earnings. This resulted in an unallocated profit for the year of Euro 4,600,678.42 (2017: Euro 3,262 thousand). The return on assets (profit for the year/total assets) for 2018 is 18.3 % (2017: 13.8 %).

## Proposal for the appropriation of profits

	2018	2017
	Euro	Euro thousand
Unallocated profit for the year	4,600,678.42	3,262
Profit brought forward from the previous year	6,555.81	4
<b>Profit available for distribution</b>	<b>4,607,234.23</b>	<b>3,267</b>
<b>Use</b>		
Disbursement of a dividend of	4,600,000.00	3,260
To be carried forward	7,234.23	7

# Notes to the income statement

## Fee and commission income and expenses

	01-12/2018	01-12/ 2017
	Euro	Euro thousand
Fee and commission income from custodian fees	15,418,830.65	14,932
Fee and commission income from transaction fees	4,692,291.70	4,409
Other fee and commission income from securities services	187,904.98	226
Other fee and commission income (AGM services, account management, minor differences)	1,365,253.43	1,362
<b>Fee and commission income</b>	<b>21,664,280.76</b>	<b>20,929</b>
Fee and commission expenses from custodian fees	1,512,340.65	1,299
Other fee and commission expenses from securities services	130,385.45	106
Other fee and commission expenses (payment transactions)	45,211.40	75
<b>Fee and commission expenses</b>	<b>1,687,937.50</b>	<b>1,480</b>
<b>Net fee and commission income</b>	<b>19,976,343.26</b>	<b>19,448</b>

The fees are calculated in a separate billing module. The raw data for calculating the fees are provided to the billing module by the peripheral systems, in particular by the account management and settlement system. The invoices are generated and the fee and commission income posted in SAP based on the data from the billing module.

The billing module provides customers with detailed information about the fees that have been charged.

## Staff costs passed on

The staff costs passed on stem entirely from the personnel assignment agreement with OeKB AG.

OeKB AG had delegated 36 employees (2017: 34) to OeKB CSD, including the management, at the reporting date.

## Other administrative expenses

The administrative expenses consist primarily of rent expenses and expenses for services such as IT and legal compliance.

The disclosure of expenses for the financial auditor is being omitted here and can be found in the consolidated financial statements of OeKB Group.

## Income tax

	01-12/2018	01-12/2017
	Euro	Euro thousand
Corporate income tax	1,754,319.00	1,567
Corporate income tax for previous years	0.06	-1
Change in deferred tax assets	121,165.58	-121
<b>Income tax</b>	<b>1,875,484.64</b>	<b>1,445</b>

## Supplementary disclosures

### Obligations from the use of off-balance sheet property and equipment

The future rent obligations from the use of assets not reported on the balance sheet come to Euro 257,151.58 for 2019 (2017 for 2018: Euro 256 thousand) and to Euro 1,285,757.90 (2018-2020: Euro 1,280 thousand) for the next five years (2019-2023). As in the previous year, these obligations are solely to OeKB AG.

### Disclosures on derivative financial instruments

As it was the case in the previous year, the company held no derivative financial instruments at the reporting date.

### Trading book

The company does not hold a trading portfolio and therefore has no trading book.

### Disclosures on off-balance sheet transactions pursuant to Article 238 (1) 10 UGB

The company had no contingent liabilities at the reporting date.

## Total assets and liabilities denominated in foreign currencies

The company had foreign currency items with the following equivalent values in euros at the reporting date:

Assets: Euro 1,661,585.91 (2017: Euro 3,715 thousand)

Liabilities: Euro 1,628,857.50(2017: Euro 3,671 thousand)

The difference between the assets and liabilities is the result of cash account administration, which is an ancillary service to the administration of securities accounts. For this, OeKB CSD holds foreign currency amounts of customers received in corresponding accounts (opened in the name of OeKB CSD) at banks. OeKB CSD also holds additional cash in these foreign currency accounts as a buffer to ensure that business operations can be maintained.

## Associated and affiliated companies pursuant to Article 238 (1) 12 UGB

OeKB CSD has its registered domicile in Vienna (FN 428085m, Vienna Commercial Court), is a 100 % subsidiary of Oesterreichische Kontrollbank Aktiengesellschaft (OeKB AG, FN 85749 b, Vienna Commercial Court), and is included in the consolidated financial statements of the bank group by way of full consolidation.

The disclosures pursuant to Part 8 of the CRR (Regulation [EU] No. 575/2013) are made in the Disclosure Report prepared by OeKB AG. Further information on this can be found on the OeKB AG website ([www.oekb.at](http://www.oekb.at)).

All transactions with associated and affiliated companies in the financial year were concluded with OeKB AG and were conducted at arm's-length terms.

OeKB CSD has concluded service agreements with OeKB AG that cover the rendering of services by OeKB AG. These agreements cover areas such as the rental of office space, personnel assignment, accounting, controlling, personnel management, IT services, and other services.

### Related-party transactions with shareholders of OeKB CSD GmbH

	31.12.2018	31.12.2017
	Euro	Euro thousand
Receivables from banks	8,749,708.97	500
Other assets	7,015.04	6
Payables to banks	300.00	0
Other liabilities	754,251.62	838

	01-12/2018	01-12/2017
	Euro	Euro thousand
Net fee and commission income	49,077.86	49
Staff costs passed on	-4,575,132.54	-4,320
Other administrative expenses	-4,837,277.68	-5,808



## Action for damages

There were no known actions for damages or pending legal cases at the reporting date.

## Events after the balance sheet date

There were no events that required reporting after the balance sheet date.

# Additional disclosures

## Total regulatory capital resources

### *Available regulatory capital pursuant to Part 2 of Regulation (EU) No. 575/2013 (CRR)*

OeKB CSD is exempt from parts 3, 5, 6, and 7 of Regulation (EU) No. 575/2013 pursuant to Article 3 (1) 12 BWG (central depository).

	31.12.2018	31.12.2017
	Euro	Euro thousand
Share capital	20,000,000.00	20,000
Retained earnings and reserves	3,257,968.80	2,236
Less transfer to retained earnings <sup>1</sup>	-740.000,00*	-849
Non-current intangible assets	-470,290.57	-533
<b>Common equity tier 1 (CET 1)</b>	<b>22,047,678.23</b>	<b>20,854</b>
<b>Total regulatory capital resources</b>	<b>22,047,678.23</b>	<b>20,854</b>
Surplus regulatory capital	22,047,678.23	20,854

<sup>1</sup> Pursuant to article 26 (2) CRR, earnings for the year are included in common equity tier 1 only after the official adoption of the final annual financial results.

\* Statutory reserves (2018: Euro 282.000.00) are recognised immediately in equity.

## Regulatory capital pursuant to Regulation (EU) No. 909/2014 (CSDR) and Delegated Regulation 2017/390 Articles 1–7

The CSDR sets supervisory requirements for central depositories to ensure that they are on solid footing and that they meet the regulatory capital requirements at all times. These regulatory capital requirements, which are found in Delegated Regulation 2017/390 Articles 1–7, ensure that central depositories have adequate capital at their disposal at all times. This is intended to protect against risks to which they are exposed and to allow for the orderly winding down or restructuring of their business operations, if necessary.

OeKB CSD was granted the licence as a central depository according to the CSDR on 1 August 2018 by FMA. Because of this, the following minimum regulatory capital requirements apply as at 31 December 2018.

### Indicators pursuant to Delegated Regulation 2017/390 Articles 1–7

	31.12.2018	31.12.2017
	Euro	Euro thousand
Equity pursuant to Art. 3	23,257,968.80	22,236
Operational risks pursuant to Art. 4	2,919,860.67	2,804
Investment risks pursuant to Art. 5	329,225.50	304
Business risks pursuant to Art. 6	3,452,123.20	3,385
Settlement risks pursuant to Art. 7	9,832,554.67	10,356
<b>Minimum regulatory capital requirement</b>	<b>16,533,764.04</b>	<b>16,850</b>

## Officers of the company

The operations of the company were directed by the following general managers during the financial year:

Peter Felsing  
Georg Zinner

The company is represented by two general managers together. The wages for the management are included in the staff costs passed on by OeKB. The wages for management are not broken down pursuant to Article 242 UGB.

The Supervisory Board consisted of the following members during the financial year:

Angelika Sommer-Hemetsberger (Chairwoman)  
Helmut Bernkopf (Deputy Chairman)  
Markus Schmidt  
Maria Doralt  
Birgit Kuras

Attendance fees of Euro 1,200.00 were paid for the 2018 financial year.

The Audit Committee consists of the following Supervisory Board members:

Helmut Bernkopf, Chairman  
Angelika Sommer-Hemetsberger  
Markus Schmidt

The following members are assigned to the Remuneration Committee:

Angelika Sommer-Hemetsberger, Chairwoman  
Helmut Bernkopf  
Markus Schmidt

The following members are assigned to the Risk Committee:

Helmut Bernkopf, Chairman  
Angelika Sommer-Hemetsberger  
Markus Schmidt

Vienna, 14 February 2019

OeKB CSD GmbH

Managing Directors

PETER FELSINGER m.p.

GEORG ZINNER m.p.

# Auditor's Report

## Report on the Financial Statements

### Audit Opinion

We have audited the financial statements of

**OeKB CSD GmbH,  
Vienna, Austria,**

which comprise the Balance Sheet as of 31 December 2018, the Income Statement for the year then ended, and the Notes.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2018 and its financial performance for the year then ended, in accordance with Austrian Generally Accepted Accounting Principles and the regulations of the Austrian Banking Act.

### Basis for our Opinion

We conducted our audit in accordance with Regulation (EU) 537/2014 ("EU Regulation") and Austrian Standards on Auditing. These standards require the audit to be conducted in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities" section of our report. We are independent of the Company, in accordance with Austrian Generally Accepted Accounting Principles, banking- and professional regulations, and we have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. These matters were addressed in the context of our audit of the financial statements as a whole, however, we do not provide a separate opinion thereon.

### ***Recognition of fee and commission income***

Refer to notes section "Notes to the income statement (Fee and commission income and expenses)" and to the management report chapter "General Conditions 2018".

### ***Risk for the Financial Statements***

OeKB CSD's fee and commission income in 2018 mainly comprises the fee and commission income from custodian fees, from transaction fees and from communication fees and amount to 21,664 kEUR, or 105.1 % of the operating profit.

Fee and commission income results from various services provided by OeKB CSD as Austria's Central Securities Depository; they are based on several datastreams and the related IT systems, which process a large volume of data per day.

Fee and commission income and related IT systems were important for our audit because of the inherent risk regarding completeness and accuracy of fee and commission income recorded given the complexity of related IT systems and the large volume of data processed as well as the impact of changing pricing models. Therefore management established processes and internal controls heavily dependent on complex IT systems. Failures within this processes can lead to material misstatements on the operating profit of the financial statements of OeKB CSD.

### ***Our Response***

We analyzed the design and implementation of the billing process and its effectiveness in respect of the complete and accurate accrued recognition of the fee and commission income of the financial statements of OeKB CSD.

Furthermore we analyzed the relevant processes and key controls within these processes in the respective operating departments. We assessed and tested – the "design & implementation" as well as – sample based – "operating effectiveness" of the directors' key controls in these areas. Together with our IT specialists we evaluated the governance of the IT organisation as well as internal controls over program development, change management and access to programs and data including compensating controls where required as well as certain aspects of the security of the IT systems including access and segregation of duties.

Based on a sample of billing runs we performed substantive audit procedures related to manual controls before the recognition of the billing runs as well as inspection of already recognised invoices. The sample selection was made using a random selection approach considering billing runs in business year 2018.

## **Responsibilities of Management and Audit Committee for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Austrian Generally Accepted Accounting Principles and the regulations of the Austrian Banking Act and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Management is also responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Company's financial reporting process.

## **Auditor's Responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement – whether due to fraud or error – and to issue an auditor's report that includes our audit opinion. Reasonable assurance represents a high level of assurance, but provides no guarantee that an audit conducted in accordance with the EU Regulation and Austrian Standards on Auditing (and therefore ISAs), will always detect a material misstatement, if any. Misstatements may result from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the EU Regulation and Austrian Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit.

Moreover:

- We identify and assess the risks of material misstatements in the financial statements, whether due to fraud or error, we design and perform audit procedures responsive to those risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk of not detecting material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- We conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material

uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the respective note in the financial statements. If such disclosures are not appropriate, we will modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements, including the notes, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with the audit committee regarding, amongst other matters, the planned scope and timing of our audit as well as significant findings, including any significant deficiencies in internal control that we identify during our audit.
- From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit i.e. key audit matters. We describe these key audit matters in our auditor's report unless laws or other legal regulations preclude public disclosure about the matter or when in very rare cases, we determine that a matter should not be included in our audit report because the negative consequences of doing so would reasonably be expected to outweigh the public benefits of such communication.

## Report on Other Legal Requirements

### *Management Report*

In accordance with the Austrian Generally Accepted Accounting Principles, the management report is to be audited as to whether it is consistent with the financial statements and prepared in accordance with legal requirements.

Management is responsible for the preparation of the management report in accordance with the Austrian Generally Accepted Accounting Principles.

We have conducted our audit in accordance with generally accepted standards on the audit of management reports as applied in Austria.

### *Opinion*

In our opinion, the management report is consistent with the financial statements and has been prepared in accordance with legal requirements.

### ***Statement***

Based on our knowledge gained in the course of the audit of the financial statements and our understanding of the Company and its environment, we did not note any material misstatements in the management report.

### ***Additional Information in accordance with Article 10 EU Regulation***

At the Annual General Meeting dated 7 March 2017, we were elected as auditors. We were appointed by the supervisory board on 7 March 2017. We have been the Company's auditors from the year ended 31 December 2015, without interruption.

We declare that our opinion expressed in the "Report on the Financial Statements" section of our report is consistent with our additional report to the audit committee, in accordance with Article 11 EU Regulation.

We declare that we have not provided any prohibited non-audit services (Article 5 Paragraph 1 EU Regulation) and that we have ensured our independence throughout the course of the audit, from the audited Company.

Vienna, 14 February 2019

KPMG Austria GmbH  
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Mag. Wilhelm Kovsca  
Wirtschaftsprüfer  
(Austrian Chartered Accountant)



# Publication information

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These separate financial statements are a translation of the German original.

Gender-neutral formulations were not used in the interests of readability. All functions, offices, and references are intended in a gender-neutral manner unless a specific person is being referred to.

